

COMMISSIONERS  
DOUG LITTLE - Chairman  
BOB STUMP  
BOB BURNS  
TOM FORESE  
ANDY TOBIN

## OPEN MEETING ITEM



0000173500

ORIGINAL

### ARIZONA CORPORATION COMMISSION

DATE: SEPTEMBER 22, 2016  
DOCKET NOS.: W-01004B-15-0313 AND W-01004B-15-0342  
TO ALL PARTIES:

2016 SEP 22 AM 9 30  
AZCCORP COMMISSION  
DOCKET CONTROL  
RECEIVED

Enclosed please find the recommendation of Administrative Law Judge Scott Hesla. The recommendation has been filed in the form of an Order on:

ASH FORK DEVELOPMENT ASSOCIATION, INC.  
D/B/A ASH FORK WATER SERVICE  
(RATES AND FINANCING)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

OCTOBER 3, 2016

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

OCTOBER 27, 2016 AND OCTOBER 28, 2016


For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

  
JODI A. JERICH  
EXECUTIVE DIRECTOR

Arizona Corporation Commission

DOCKETED

SEP 22 2016

DOCKETED BY 

1200 WEST WASHINGTON STREET, PHOENIX, ARIZONA 85007-2927 / 400 WEST CONGRESS STREET, TUCSON, ARIZONA 85701-1347

[www.azcc.gov](http://www.azcc.gov)

This document is available in alternative formats by contacting Shaylin Bernal, ADA Coordinator, voice phone number 602-542-3931, E-mail [SABernal@azcc.gov](mailto:SABernal@azcc.gov).

On this 22<sup>nd</sup> day of September, 2016, the following document was filed with Docket Control as a Recommended Order from the Hearing Division, and copies of the document were mailed on behalf of the Hearing Division to the persons on the service list attached to the Order who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the filed document to the following who have consented to email service.

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By: RTallman  
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1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 DOUG LITTLE – Chairman  
4 BOB STUMP  
5 BOB BURNS  
6 TOM FORESE  
7 ANDY TOBIN

8 IN THE MATTER OF THE APPLICATION OF ASH  
9 FORK DEVELOPMENT ASSOCIATION, INC.  
10 D/B/A ASH FORK WATER SERVICE FOR A RATE  
11 INCREASE.

DOCKET NO. W-01004B-15-0313

12 IN THE MATTER OF THE APPLICATION OF ASH  
13 FORK DEVELOPMENT ASSOCIATION, INC.  
14 D/B/A ASH FORK WATER SERVICE FOR  
15 APPROVAL OF A FINANCING APPLICATION.

DOCKET NO. W-01004B-15-0342

DECISION NO. \_\_\_\_\_

**ORDER**

16 Open Meeting  
17 October 27 and 28, 2016  
18 Phoenix, Arizona

19 **BY THE COMMISSION:**

20 \* \* \* \* \*

21 Having considered the entire record herein and being fully advised in the premises, the  
22 Commission finds, concludes, and orders that:

23 **FINDINGS OF FACT**

24 **I. Procedural History**

25 1. On September 1, 2015, in Docket No. W-01004B-15-0313 (“Rate Docket”), Ash Fork  
26 Development Association, Inc. d/b/a Ash Fork Water Service (“Ash Fork” or “Company”) filed with  
27 the Arizona Corporation Commission (“Commission”) an application for a permanent rate increase.

28 2. On September 16, 2015, in the Rate Docket, Mr. Earl M. Hasbrouck, a customer of the  
Company, filed public comments opposing the rate increase.

3. On September 30, 2015, in Docket No. W-01004B-15-0342 (“Financing Docket”), Ash  
Fork filed an application requesting authorization to incur long-term debt from the Water Infrastructure  
Finance Authority of Arizona (“WIFA”) in an amount not to exceed \$150,000 for the purpose of  
constructing an arsenic treatment plant at Well No. 2.

1           4.       On October 1, 2015, in the Rate Docket, the Commission's Utilities Division ("Staff")  
2 filed a Letter of Deficiency stating that the rate application did not meet the sufficiency requirements  
3 outlined in Arizona Administrative Code ("A.A.C.") R14-2-103.

4           5.       On October 8, 2015, in both dockets, Ash Fork filed letters certifying that notices of the  
5 rate application and financing application were mailed to all customers of record by means of an insert  
6 in their October water bill.

7           6.       On October 15, 2015, in the Rate Docket, Ash Fork filed information responsive to  
8 Staff's Letter of Deficiency.

9           7.       On October 27, 2015, in the Rate Docket, Staff filed a Letter of Sufficiency stating that  
10 the rate application, as amended, had met the sufficiency requirements outlined in A.A.C. R14-2-103,  
11 and classifying Ash Fork as a Class D Utility.

12          8.       On December 9, 2015, Staff filed a Motion to Consolidate in each of the two dockets,  
13 requesting a procedural order to consolidate the Rate Docket and Financing Docket. According to  
14 Staff, the issues presented in both dockets are directly related and consolidation would conserve  
15 resources. The Company did not file an objection to the motion.

16          9.       On December 11, 2015, in the Rate Docket, Ash Fork filed an updated balance sheet.

17          10.       On December 21, 2015, a Procedural Order was issued consolidating the Rate Docket  
18 and Financing Docket.

19          11.       On January 11, 2016, Staff filed its Staff Report recommending approval of the  
20 applications subject to certain terms and conditions.

21          12.       On January 25, 2016, Ash Fork filed comments in response to the Staff Report  
22 requesting clarification of certain issues.

23          13.       On February 4, 2016, a Procedural Order was issued directing Staff to file a response to  
24 the Company's comments no later than February 19, 2016.

25          14.       On February 19, 2016, Staff filed its Response to the February 4, 2016, Procedural  
26 Order.

27          15.       On March 25, 2016, the Administrative Law Judge assigned to this matter filed a  
28 Recommended Opinion and Order ("ROO") for the Commission's consideration and final disposition

1 at the Open Meeting scheduled for April 12 and 13, 2016.

2 16. On April 11, 2016, Ash Fork filed a request to amend its rate application with a test year  
3 ending December 31, 2015.

4 17. On April 12, 2016, a Procedural Order was issued scheduling a telephonic procedural  
5 conference to commence on April 19, 2016.

6 18. On April 19, 2016, the telephonic procedural conference was held as scheduled, with  
7 Ash Fork appearing through its Manager, Mr. Lewis Hume, and Staff appearing through counsel. At  
8 that time, the parties discussed the procedural implications associated with updating the Company's  
9 test year in the rate application. Ash Fork was informed that amending its current rate application with  
10 a 2015 test year would delay the implementation of new rates for six months or more due to the  
11 additional time needed by Staff to review and analyze the updated financial information. As a result,  
12 Staff recommended that the rate increase recommended in the ROO be adopted by the Commission at  
13 the next scheduled Open Meeting and that the Company file a new rate application with updated  
14 financial information. In response, Ash Fork stated that its Board of Directors fully considered the  
15 recommendation of Staff, but ultimately decided that amending its current rate application was in the  
16 best interests of the Company and its customers.

17 19. On April 19, 2016, a Procedural Order was issued granting the Company's request to  
18 amend its rate application with a test year ending December 31, 2015, and establishing various filing  
19 deadlines and other procedural requirements.

20 20. On May 10, 2016, Ash Fork filed an amended rate application with a test year ending  
21 December 31, 2015.

22 21. On May 20, 2016, Ash Fork filed bill count information for its coin-operated standpipe  
23 customers.

24 22. On June 9, 2016, Staff filed a Letter of Sufficiency stating that the amended rate  
25 application had met the sufficiency requirements outlined in A.A.C. R14-2-103, and classifying Ash  
26 Fork as a Class D Utility.

27 23. On August 8, 2016, Staff filed an updated Staff Report recommending approval of the  
28 amended rate application and financing application, subject to certain terms and conditions.

1       24.    On August 15, 2016, Mr. Hasbrouck filed an Application for Leave to Intervene in this  
2 proceeding.

3       25.    On August 19, 2016, the Company filed comments opposing certain recommendations  
4 contained in the updated Staff Report.

5       26.    On September 20, 2016, a Procedural Order was issued denying Mr. Hasbrouck's  
6 Application for Leave to Intervene because the issues raised therein unduly broadened the scope of this  
7 proceeding.

8 **II.   Background**

9       27.    Ash Fork is a Class D Arizona nonprofit corporation providing water utility service to  
10 approximately 222 metered customers<sup>1</sup> in a service area approximately 50 miles west of Flagstaff, in  
11 Yavapai County, Arizona, pursuant to a Certificate of Convenience and Necessity ("CC&N")  
12 transferred to Ash Fork in Decision No. 43321 (May 23, 1973). The Commission approved Ash Fork's  
13 present rates and charges in Decision No. 71181 (June 30, 2009).

14       28.    Ash Fork's water system consists of two wells capable of producing approximately 252  
15 gallons per minute ("GPM") of total capacity; two water storage tanks with a total storage capacity of  
16 1,000,000 gallons; and a distribution system. During the year ending December 31, 2014, the Company  
17 reported 34,405,000 gallons pumped and 33,362,000 gallons sold, resulting in a water loss ratio of 3.03  
18 percent.<sup>2</sup>

19       29.    Based on Staff's engineering analysis, the Company has adequate production and  
20 storage capacity to support its existing customer base and reasonable growth.

21       30.    Ash Fork is not located within an Arizona Department of Water Resources ("ADWR")  
22 active management area ("AMA"). In a Compliance Status Report dated December 4, 2015, ADWR  
23 determined that Ash Fork is currently in compliance with departmental requirements governing water  
24 providers and/or community water systems.

25       31.    According to an Arizona Department of Environmental Quality ("ADEQ") Compliance  
26 Status Report dated October 26, 2015, Ash Fork has no major deficiencies and is currently delivering

27 \_\_\_\_\_  
28 <sup>1</sup> The Company also provides water utility service to approximately 246 standpipe customers.

<sup>2</sup> Staff indicates that a water loss ratio of 10 percent or less is acceptable.

1 water that meets the water quality standards required by 40 C.F.R. §§ 141.1, *et seq.* (National Primary  
2 Drinking Water Regulations) and A.A.C., Title 18, Chapter 4.

3 32. Staff's Compliance Section database shows no outstanding compliance issues for the  
4 Company.

5 33. Staff reviewed the Consumer Services Section database from 2012 through 2016 and  
6 found no complaints or inquiries against the Company and one public comment opposing the rate  
7 increase.

8 34. Ash Fork is in good standing with the Commission's Corporations Division.

9 35. Ash Fork has approved Backflow and Curtailment tariffs on file with the Commission.

10 **III. Amended Rate Application**

11 **A. Adjustments to Rate Base and Operating Income**

12 36. Ash Fork proposed a Fair Value Rate Base ("FVRB") of \$2,426,134 which does not  
13 differ from its Original Cost Rate Base ("OCRB").

14 37. Staff determined the Company's FVRB to be \$592,006, due to Staff's adjustments to  
15 net plant in service; contributions-in-aid-of-construction ("CIAC"); and cash working capital. The  
16 Company did not dispute Staff's adjustments to rate base.

17 38. We find that Staff's adjustments to the Company's FVRB are reasonable and  
18 appropriate, and should be adopted.

19 39. Staff made an adjustment to the Company's proposed test year revenue, resulting in an  
20 increase of \$2,992, from \$250,802 to \$253,794. The increase to test year revenue was due to Staff's  
21 adjustments to include the revenue from uncharged services provided to community buildings owned  
22 by the Company. The Company did not dispute Staff's adjustment to test year revenue.

23 40. We find that Staff's adjustment to test year revenue is reasonable and appropriate and  
24 adopt an adjusted test year revenue figure of \$253,794.

25 41. Staff made several adjustments to the Company's proposed operating expenses,  
26 resulting in a net decrease of \$767, from \$294,416 to \$293,649. The decrease to test year operating  
27 expenses is due to Staff's adjustments to water testing expense and property tax expense. The Company  
28 did not dispute Staff's adjustments to test year operating expenses.

42. We find that Staff's adjustments to test year operating expenses are reasonable and appropriate and adopt an adjusted test year operating expense figure of \$293,649.

43. Based on Staff's analysis, the Company's present rates and charges produced adjusted operating revenue of \$253,794 and adjusted test year operating expenses of \$293,649, resulting in test year operating loss of \$39,855 and no rate of return on the Company's FVRB of \$592,006.

#### B. Revenue Requirement

44. In its amended rate application, the Company proposed total annual operating revenue of \$288,422, an increase of \$34,628, or 13.6 percent, over adjusted test year revenue of \$253,794, to provide an operating loss of \$5,227, for no rate of return on the Company's FVRB.

45. Staff recommends permanent rates that produce total annual operating revenue of \$320,205, an increase of \$66,411, or 26.7 percent, over adjusted test year revenue of \$253,794, to provide an operating income of \$26,556, for a 4.5 percent rate of return on the Company's FVRB of \$592,006.

#### C. Rate Design

46. The rates and charges for the Company at present, as proposed in its amended rate application, and as recommended by Staff are as follows:

	<u>Present Rates</u>	<u>Company Proposed</u>	<u>Staff Recommended</u>
<b><u>MONTHLY USAGE CHARGES:</u></b>			
5/8" x 3/4" Meter	\$12.00	\$13.50	\$15.00
3/4" Meter	12.00	13.50	15.00
1" Meter	18.00	21.00	24.00
1 1/2" Meter	24.00	32.00	35.00
2" Meter	35.00	44.00	46.00
3" Meter	55.00	70.00	72.00
4" Meter	100.00	125.00	127.00
6" Meter	120.00	150.00	152.00
<b><u>MONTHLY WIFA LOAN SURCHARGE:</u></b>			
5/8" x 3/4" Meter	N/A	N/A	TBD
3/4" Meter	N/A	N/A	TBD
1" Meter	N/A	N/A	TBD
1 1/2" Meter	N/A	N/A	TBD



1	2" Meter	N/A	N/A	TBD
	3" Meter	N/A	N/A	TBD
2	4" Meter	N/A	N/A	TBD
	6" Meter	N/A	N/A	TBD
3	Standpipe/Bulk (per 1,000 gallons)	N/A	N/A	TBD

4 **COMMODITY RATES:**  
5 **(Per 1,000 gallons)**

6 Residential (All Meter Sizes)

7	First 3,000 Gallons	\$3.35	\$3.62	N/A
	From 3,001 to 6,000 Gallons	4.00	4.32	N/A
8	Over 6,000 Gallons	4.66	5.03	N/A

9 Commercial (All Meter Sizes)

10	First 6,000 Gallons	4.00	4.32	N/A
	Over 6,000 Gallons	4.66	5.03	N/A

11 5/8" x 3/4" & 3/4" Meter – Residential

12	First 3,000 Gallons	3.35	3.62	\$4.50
	From 3,001 to 6,000 Gallons	4.00	4.32	6.00
13	Over 6,000 Gallons	4.66	5.03	7.51

14 5/8" x 3/4" & 3/4" Meter - Commercial

15	First 6,000 Gallons	N/A	N/A	\$6.00
	Over 6,000 Gallons	N/A	N/A	7.51

16 1" Meter – Residential & Commercial

17	First 20,000 Gallons	N/A	N/A	\$6.00
	Over 20,000 Gallons	N/A	N/A	7.51

18 1 1/2" Meter – Residential & Commercial

19	First 55,000 Gallons	N/A	N/A	\$6.00
20	Over 55,000 Gallons	N/A	N/A	7.51

21 2" Meter – Residential & Commercial

22	First 72,000 Gallons	N/A	N/A	\$6.00
	Over 72,000 Gallons	N/A	N/A	7.51

23 3" Meter – Residential & Commercial

24	First 200,000 Gallons	N/A	N/A	\$6.00
	Over 200,000 Gallons	N/A	N/A	7.51

25 4" Meter – Residential & Commercial

26	First 340,000 Gallons	N/A	N/A	\$6.00
27	Over 340,000 Gallons	N/A	N/A	7.51

28 ...

6" Meter – Residential and Commercial

First 700,000 Gallons	N/A	N/A	\$6.00
Over 700,000 Gallons	N/A	N/A	7.51

Standpipe/Bulk

Per 1,000 Gallons	\$9.20	\$12.00	\$11.22
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Coin-Operated Standpipe

Per 25 Gallons	\$0.25	N/A	N/A
Per 20 Gallons	N/A	\$0.25	\$0.25 <sup>3</sup>

Filtered Water Dispenser

Per Gallon	\$0.25	\$0.25	\$0.25 <sup>4</sup>
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SERVICE LINE AND METER INSTALLATION CHARGES:

<u>Meter Sizes</u>	<u>Current</u> <u>Total</u> <u>Changes</u>	<u>Company</u> <u>Proposed</u> <u>Total</u> <u>Charges</u>	<u>Staff</u> <u>Recommended</u> <u>Service Line</u> <u>Charges</u>	<u>Staff</u> <u>Recommended</u> <u>Meter Charges</u>	<u>Staff</u> <u>Recommended</u> <u>Total Charges</u>
5/8" x 3/4" Meter	\$ 350	\$ 380	\$ 290	\$ 90	\$ 380
3/4" Meter	350	380	290	90	380
1" Meter	420	450	310	140	450
1 1/2" Meter	900	950	500	450	950
2" Meter	1,340	1,400	660	740	1,400
3" Meter	2,100	2,200	900	1,300	2,200
4" Meter	2,800	3,000	1,200	1,800	3,000
6" Meter	3,600	3,750	1,250	2,500	3,750

SERVICE CHARGES:

	<u>Current</u>	<u>Company</u> <u>Proposed</u>	<u>Staff</u> <u>Recommended</u>
Establishment	\$20.00	\$20.00	\$20.00
Establishment (After hours)	24.00	N/A	N/A
After Hours Service Charge	N/A	10.00	30.00
Reconnection (Delinquent)	15.00	15.00	15.00
Reconnection (Delinquent, After Hours)	24.00	N/A	N/A
Meter Test (If Correct)	40.00	40.00	30.00
Deposit	*	*	*
Deposit Interest	*	*	*
Re-Establishment (Within 12 months)	**	**	**
NSF Check	15.00	15.00	15.00
Deferred Payment	N/A	N/A	N/A
Meter Re-Read (If Correct)	10.00	10.00	10.00
Late Fee (Per month)	1.50%	1.50%	1.50%
Monthly Service Charge for Fire Sprinkler	***	***	***

<sup>3</sup> Staff notes that its recommended rate for the coin-operated standpipe includes sales tax.<sup>4</sup> Staff notes that its recommended rate for the filtered water dispenser includes sales tax.

\* Per Commission Rule A.A.C. R-14-2-403(B).

\*\* Months off system times minimum per A.A.C. R14-2-403(D).

\*\*\* 1% of Monthly Minimum for a Comparable Size Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

In addition to the collection of its regular rates and charges, the Company shall collect from its customers their proportionate share of any privilege, sale or use tax in accordance with A.A.C. R14-2-409(D)(5).

47. The rates and revenue requirements proposed by the parties would have the following bill impacts on the typical residential 5/8 x 3/4-inch meter customer with median usage of 2,638 gallons:

	<u>Typical 5/8 x 3/4-inch Residential Meter with Median Usage</u>			
	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>% Increase</u>
Ash Fork	\$20.84	\$23.05	\$3.82	10.60
Staff	\$20.84	\$26.87	\$6.03	28.93

#### IV. Financing Application

48. In its financing application, the Company requests approval to finance a loan in an amount not to exceed \$150,000 from WIFA, the proceeds of which will be used to fund the construction of new Arsenic Treatment Equipment for Well No. 2.

49. Staff analyzed Ash Fork's water system and determined that the arsenic level at Well No. 2 has decreased from 11.1 parts-per-billion ("ppb") in 2014, to 10.1 ppb in 2015 based on annual averages. Staff notes that the Maximum Contaminant Level ("MCL") for arsenic is 10.0 ppb. In light of the declining arsenic measurements, Staff recommends that the Company monitor the arsenic level at Well No. 2 for an additional year prior to obtaining the WIFA loan to install the Arsenic Treatment Equipment. Staff concludes that if the annual average arsenic level at Well No. 2 exceeds 10.0 ppb after one year, the proposed capital improvements would be appropriate and the cost estimates are reasonable.

50. Staff's recommended permanent rates and revenue would not provide sufficient cash flow for the Company to meet its proposed long-term debt obligation under the WIFA loan. Staff therefore recommends implementing a loan surcharge mechanism to calculate the additional debt

1 service (principal, interest, and reserve fund) on the WIFA loan. Based on Staff's calculation, the debt  
2 service and reserve fund payments on a 20-year amortizing loan, in the amount of \$150,000, at an  
3 estimated interest rate of 5.25 percent, will require the Company to generate annual cash flows of  
4 \$14,555 through the surcharge mechanism.

5 51. Since the terms of the WIFA loan will not be known until after the loan is closed, Staff  
6 is recommending approval of a surcharge mechanism, with the surcharge amount determined by Staff  
7 in a later filing. Staff estimates that the loan surcharge for a residential customer on a 5/8 x 3/4-inch  
8 meter will be approximately \$1.39 per month.

9 52. Staff's estimated loan surcharge and recommended rates would result in a times-  
10 interest-earned ratio ("TIER") and debt service coverage ("DSC") ratio of 1.58 and 2.16, respectively.  
11 TIER represents the number of times earnings before income tax expense covers interest expense on a  
12 debt. A TIER greater than 1.0 means that operating income is greater than interest expense. A TIER  
13 less than 1.0 is not sustainable in the long term, but does not necessarily mean that debt obligations  
14 cannot be met in the short term. A DSC ratio represents the number of times internally generated cash  
15 will cover required principal and interest payments on short-term and long-term debt. A DSC of less  
16 than 1.0 means that debt service obligations cannot be met by cash generated from operations and that  
17 another source of funds is necessary to preclude default on the debt obligation.

18 53. According to Staff's financial analysis, the recommended revenue requirement,  
19 including the estimated loan surcharge, will provide the Company with sufficient cash flow to pay  
20 operating expenses, manage contingencies, fund principal and interest payments on its current debt and  
21 the proposed loan, and to meet the minimum 1.2 DSC ratio required by WIFA.

22 54. Staff concludes that the proposed financing is for lawful purposes, within the  
23 Company's powers as a corporation, compatible with the public interest, consistent with sound  
24 financial practices, and will not impair its ability to provide public service.

25 **V. Staff's Recommendations**

26 55. Staff recommends the following:

- 27 a) That Staff's recommended rates and charges be approved;  
28 b) That the Company file with Docket Control, as a compliance item in this docket,

a schedule of its approved rates and charges within 30 days of the decision in this matter;

- c) An average annual cost of \$2,543 be adopted for the water testing expense in this proceeding;
- d) That the Company continue to use the depreciation rates utilized by the National Association of Regulatory Utility Commissioners ("NARUC") as presented in Table H-1 of the Engineering Report portion of the first Staff Report filed in this matter;
- e) That the Company charge separate service line and meter installation charges listed in Table L-1 of the Engineering Report portion of the first Staff Report filed in this matter;
- f) Approval of the Company's application for authorization to issue long-term debt to WIFA in an amount not to exceed \$150,000, subject to the following condition:
  - (i) The Company shall file documentation after one year demonstrating that arsenic levels in excess of 10 ppb prior to purchasing the proposed Arsenic Treatment Equipment;
- g) Approval of a surcharge mechanism that Staff estimates may result in a monthly surcharge amount as follows:

<u>Meter Size</u>	<u>Monthly Surcharge</u>
5/8 x 3/4" Meter	\$1.39
3/4" Meter	\$2.08
1" Meter	\$3.46
1 1/2" Meter	\$6.93
2" Meter	\$11.09
3" Meter	\$20.79
4" Meter	\$34.65
6" Meter	\$69.30
Bulk/Standpipe (per 1,000 gallons)	\$0.49

- h) That the actual amount of the WIFA loan surcharge be calculated by Staff based upon the actual terms of the WIFA loan and actual number of customers at the

1 time of loan closing;

- 2 i) That the Company file as a compliance item in this Docket, within 30 days of the  
3 execution of any financing transaction authorized herein, a notice confirming that  
4 such execution has occurred and a certification by an authorized Company  
5 representative that the terms of the financing fully comply with the authorizations  
6 granted;
- 7 j) That the Company provide to Staff, upon request, a copy of any loan documents  
8 executed pursuant to the authorizations granted herein;
- 9 k) That the Company may file, in this docket, upon filing notice of the loan closing,  
10 an application requesting implementation of the associated surcharge;
- 11 l) That Staff shall calculate the appropriate loan surcharge and prepare and file a  
12 recommended order for Commission consideration within 30 days of the  
13 Company's filing of an application requesting implementation of the surcharge;
- 14 m) That approval of the loan and surcharge be rescinded if the Company has not  
15 started drawing funds from the loan within four years of the effective date of this  
16 Decision;
- 17 n) That the WIFA loan surcharge automatically expire at the end of the loan term or  
18 upon full payment of the loan, whichever occurs first;
- 19 o) That the entire principal paid on the loan be recognized as a Contribution In Aid  
20 of Construction ("CIAC") with appropriate rate base treatment; and
- 21 p) That the Company, as a compliance item in this docket, notify its customers of the  
22 rates and charges approved herein and their effective date, in a form acceptable to  
23 Staff, by means of an insert in its next regular scheduled billing, and file copies  
24 with Docket Control within 30 days of the date notice is sent to customers.

25 **VI. Company Comments**

26 56. In its comments to the updated Staff Report, the Company requests that Staff's  
27 recommended monthly usage charges for the 5/8 x 3/4-inch meter and 3/4-inch meter be reduced by  
28 \$1.50, from \$15.00 to \$13.50. According to the Company, Staff's recommended rate design

1 disproportionately burdens residential customers with the increased revenue requirement. The  
2 Company states that if the monthly usage charge is reduced by \$1.50, the monthly bill for a typical  
3 residential 5/8 x 3/4-inch meter customer with median usage would only increase from \$20.84 to  
4 \$25.37, or 21.7 percent.

5 57. In addition, the Company objects to Staff's recommendation that the Company monitor  
6 the arsenic level at Well No. 2 for an additional year prior to obtaining the WIFA loan to install the  
7 Arsenic Treatment Equipment. According to the Company, continued monitoring is not necessary and  
8 will only confirm that the arsenic level at Well No. 2 ranges from 9 ppb to 12 ppb.

9 **VII. Resolution**

10 58. We decline to adopt the Company's proposal to reduce Staff's recommended monthly  
11 usage charges for the 5/8 x 3/4-inch meter and 3/4-inch meter customers for several reasons. First,  
12 reducing the monthly usage charge for those customers would have the unintended effect of reducing  
13 the overall revenue requirement approved herein. Second, Staff's recommended rates increase the  
14 monthly bill for the 5/8 x 3/4-inch meter customer by 28.93 percent, which is proportionally similar to  
15 Staff's recommended overall 26.7 percent increase in annual operating revenue.

16 59. We further decline to adopt Staff's recommendation that the Company monitor the  
17 arsenic levels at Well No. 2 for an additional year prior to obtaining the WIFA loan to fund construction  
18 of the Arsenic Treatment Equipment. Given that the arsenic levels at Well No. 2 exceeded the MCL  
19 in 2014 and 2015, we do not believe the Company should be required to delay construction of the  
20 equipment necessary to treat the existing arsenic contamination.

21 60. We find that Staff's recommended revenue, rates, and charges are just and reasonable  
22 and should be adopted. We further find that it is reasonable, consistent with sound financial practices,  
23 and in the public interest to grant Ash Fork the authority to issue up to \$150,000 in long-term debt for  
24 the purposes stated in its financing application.

25 **CONCLUSIONS OF LAW**

26 1. Ash Fork Development Association, Inc. d/b/a Ash Fork Water Service is a public  
27 service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. § 40-  
28 250, 40-251, 40-301, and 40-302.

2. The Commission has jurisdiction over Ash Fork Development Association, Inc. d/b/a Ash Fork Water Service and the subject matter of the applications.

3. Notice of the applications was provided in the manner prescribed by law.

4. Ash Fork Development Association, Inc. d/b/a Ash Fork Water Service's fair value rate base is \$592,006.

5. The rates, charges, and conditions of service authorized herein are just, reasonable, and in the public interest and should be approved without a hearing.

6. The authorizations granted herein are for lawful purposes which are within the corporate powers of the Company, are compatible with the public interest, with sound financial practices, and with the proper performance by the Company of service as a public service corporation, and will not impair the Company's ability to perform that service.

7. The financing approved herein is for the purposes stated in the financing application, is reasonably necessary for those purposes, and is not reasonably chargeable to operating expenses or to income.

8. Approval of the proposed financing should not guarantee or imply any specific treatment of any capital additions for ratemaking or rate base purposes.

9. Staff's recommendations, as modified herein, are just and reasonable and in the public interest.

### **ORDER**

IT IS THEREFORE ORDERED that Ash Fork Development Association, Inc. d/b/a Ash Fork Water Service is hereby directed to file with Docket Control, as a compliance item in this docket, within thirty (30) days of the effective date of this Decision, revised schedules setting forth the following rates and charges:

#### **MONTHLY USAGE CHARGES:**

5/8" x 3/4" Meter	\$15.00
3/4" Meter	15.00
1" Meter	24.00
1 1/2" Meter	35.00
2" Meter	46.00



1	3" Meter	72.00
	4" Meter	127.00
2	6" Meter	152.00

3 **WIFA LOAN MONTHLY SURCHARGE:**

4	5/8" x 3/4" Meter	TBD
	3/4" Meter	TBD
5	1" Meter	TBD
6	1 1/2" Meter	TBD
	2" Meter	TBD
7	3" Meter	TBD
	4" Meter	TBD
8	6" Meter	TBD
9	Standpipe/Bulk (per 1,000 gallons)	TBD

10 **COMMODITY CHARGES:**

(Per 1,000 Gallons)

11 5/8" x 3/4" & 3/4" Meter – Residential

12	First 3,000 Gallons	\$4.50
13	From 3,001 to 6,000 Gallons	6.00
	Over 6,000 Gallons	7.51

14 5/8" x 3/4" & 3/4" Meter - Commercial

15	First 6,000 Gallons	\$6.00
16	Over 6,000 Gallons	7.51

17 1" Meter – Residential & Commercial

18	First 20,000 Gallons	\$6.00
	Over 20,000 Gallons	7.51

19 1 1/2" Meter – Residential & Commercial

20	First 55,000 Gallons	\$6.00
	Over 55,000 Gallons	7.51

21 2" Meter – Residential & Commercial

22	First 72,000 Gallons	\$6.00
23	Over 72,000 Gallons	7.51

24 3" Meter – Residential & Commercial

25	First 200,000 Gallons	\$6.00
	Over 200,000 Gallons	7.51

26 4" Meter – Residential & Commercial

27	First 340,000 Gallons	\$6.00
28	Over 340,000 Gallons	7.51

6" Meter – Residential and Commercial

First 700,000 Gallons	\$6.00
Over 700,000 Gallons	7.51

Standpipe/Bulk – Residential & Commercial

(Per 1,000 gallons)	\$11.22
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Coin-Operated Standpipe

(Per 20 Gallons)	\$0.25
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Filtered Water Dispenser

(Per Gallon)	\$0.25
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SERVICE LINE AND METER INSTALLATION CHARGES:

<u>Meter Sizes</u>	<u>Service Line Charges</u>	<u>Meter Charges</u>	<u>Total Charges</u>
5/8" x 3/4" Meter	\$ 290	\$ 90	\$ 380
3/4" Meter	290	90	380
1" Meter	310	140	450
1 1/2" Meter	500	450	950
2" Meter	600	750	1,400
3" Meter	900	1,300	2,200
4" Meter	1,200	1,800	3,000
6" Meter	1,250	2,500	3,750

SERVICE CHARGES:

Establishment	\$20.00
After Hours Service Charge	30.00
Reconnection (Delinquent)	15.00
Meter Test (If Correct)	30.00
Deposit	*
Deposit Interest	*
Re-Establishment (Within 12 months)	**
NSF Check	15.00
Meter Re-Read (If Correct)	10.00
Late Fee (Per month)	1.50%
Monthly Service Charge for Fire Sprinkler	***

\* Per A.A.C. R-14-2-403(B).

\*\* Months off system times monthly minimum per A.A.C. 14-2-403(D).

\*\*\* 1% of Monthly Minimum for a Comparable Size Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

...

1 IT IS FURTHER ORDERED that the above rates and charges shall be effective for all service  
2 provided during the Company's next regular billing cycle.

3 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. d/b/a Ash Fork  
4 Water Service shall, as a compliance item in this docket, notify its customers of the authorized rates  
5 and charges and their effective date, in a form acceptable to the Commission's Utilities Division, by  
6 means of an insert in its next regularly scheduled billing, and file a copy with Docket Control within  
7 thirty (30) days of the date notice is sent to customers.

8 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. d/b/a Ash Fork  
9 Water Service shall use the depreciation rates delineated in Table H-1 of the Engineering Report portion  
10 of the first Staff Report filed in this matter.

11 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. d/b/a Ash Fork  
12 Water Service is authorized to incur long-term financing, in an amount not to exceed \$150,000,  
13 pursuant to a loan agreement with the Water Infrastructure Finance Authority of Arizona, at an interest  
14 rate not to exceed that available from the Water Infrastructure Finance Authority of Arizona.

15 IT IS FURTHER ORDERED that such financing authority is expressly contingent upon Ash  
16 Fork Development Association, Inc. d/b/a Ash Fork Water Service's use of the proceeds for the  
17 purposes set forth in its financing application, as discussed herein.

18 IT IS FURTHER ORDERED that approval of the loan and surcharge authorized herein shall  
19 be rescinded without further order of the Commission if the Company has not drawn funds from the  
20 loan within four years from the effective date of this Decision.

21 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. d/b/a Ash Fork  
22 Water Service is hereby authorized to pledge, mortgage, lien, and/or otherwise encumber its assets in  
23 the State of Arizona pursuant to A.R.S. § 40-285 and A.A.C. R18-15-104, in connection with the  
24 indebtedness authorized herein.

25 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. d/b/a Ash Fork  
26 Water Service is hereby authorized to engage in any transaction and to execute any documents  
27 necessary to effectuate the authorizations granted herein.

28 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. d/b/a Ash Fork

1 Water Service shall provide to the Commission's Utilities Division, upon request, a copy of any loan  
2 documents executed pursuant to the authorizations granted herein.

3 IT IS FURTHER ORDERED that Ash Fork Development Association, Inc. d/b/a Ash Fork  
4 Water Service shall file with Docket Control, as a compliance item in this docket, within 30 days of  
5 the execution of any financing transaction authorized herein, a notice confirming that such execution  
6 has occurred and a certification by an authorized Company representative that the terms of the financing  
7 fully comply with the authorizations granted herein.

8 IT IS FURTHER ORDERED that upon filing notice confirming the loan's execution, Ash Fork  
9 Development Association, Inc. d/b/a Ash Fork Water Service may file with Docket Control, in this  
10 docket, an application requesting implementation of the loan surcharge, as discussed herein.

11 IT IS FURTHER ORDERED that the Commission's Utilities Division shall calculate the  
12 appropriate loan surcharge amount and prepare and file a recommended order for Commission  
13 consideration, within thirty (30) days of the filing of the Company's application requesting  
14 implementation of the loan surcharge.

15 IT IS FURTHER ORDERED that the loan surcharge shall automatically expire at the end of  
16 the loan term or upon the full payment of the loan, whichever occurs first.

17 IT IS FURTHER ORDERED that the entire principal paid on the loan be recognized as a  
18 Contribution In Aid of Construction for rate base and ratemaking purposes.

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1 IT IS FURTHER ORDERED that, in addition to the collection of its regular rates and charges,  
2 Ash Fork Development Association, Inc. d/b/a Ash Fork Water Service shall collect from its customers  
3 a proportionate share of any privilege, sales or use tax in accordance with A.A.C. R14-2-409(D).

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6  
7 CHAIRMAN LITTLE

COMMISSIONER STUMP

8  
9  
10 COMMISSIONER FORESE

COMMISSIONER TOBIN

COMMISSIONER BURNS

11  
12 IN WITNESS WHEREOF, I, JODI A. JERICH, Executive  
13 Director of the Arizona Corporation Commission, have hereunto  
14 set my hand and caused the official seal of the Commission to be  
affixed at the Capitol, in the City of Phoenix, this  
\_\_\_\_\_ day of \_\_\_\_\_ 2016.

15  
16 JODI A. JERICH  
17 EXECUTIVE DIRECTOR

18 DISSENT \_\_\_\_\_

19  
20 DISSENT \_\_\_\_\_  
21 SMH:dp(rt)

SERVICE LIST FOR:

ASH FORK DEVELOPMENT ASSOCIATION, INC.  
D/B/A ASH FORK WATER SERVICE

DOCKET NOS.:

W-01004B-15-0313 AND W-01004B-15-0342

Lewis E. Hume

ASH FORK WATER SERVICE

PO Box 436

518 Lewis Avenue

Ash Fork, AZ 86320

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ARIZONA CORPORATION COMMISSION

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Thomas Broderick, Director

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